



Dave Yost • Auditor of State





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## Independent Accountants' Report on Applying Agreed-Upon Procedures

Ohio Department of Medicaid  
50 West Town Street, Suite 400  
Columbus, Ohio 43215

We have performed the procedures enumerated below, which were agreed to by the Ohio Department of Medicaid (ODM), on the Medicaid ICF-IID Cost Report of Jac-Lin Manor, Inc. (hereafter referred to as the Provider) for the period January 1, 2015 through December 31, 2015. The Provider's management is responsible for preparing the Medicaid ICF-IID Cost Report. The sufficiency of these procedures is solely the responsibility of ODM. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

Unless otherwise identified in the procedure, this report only describes exceptions exceeding \$500 and resulting in decreased costs.

### **Occupancy and Usage**

1. We compared the number of patient days for Medicaid and non-Medicaid patients from the Provider's Detailed Census Report – By Payer report to those reported on *Schedule A-1, Summary of Inpatient Days* to determine if the Provider's patient days were greater than those reported. We also footed the Provider's census report for accuracy. We found no variances or computational errors.
2. We selected five residents' medical records and compared the total days of care for December 2015 with the inpatient days reported on the Detailed Census Report – By Payer report and *Schedule A-1* to determine if total patient days were greater than those reported. We also determined if the Provider included any waiver respite days as Medicaid or Medicare days and, if bed hold days in excess of 30 in a calendar year, it received the proper authorization on form JFS 09402 in accordance with Ohio Admin. Code § 5123:2-7-08. We found no variances in tracing the five medical records. We found no misclassified waiver respite days or unauthorized bed hold days.
3. We compared the number of reimbursed Medicaid days per the Medicaid Information Technology System (MITS) with the total Medicaid days reported on *Schedule A-1* to identify if reimbursed Medicaid days were greater than total Medicaid days. We found the Provider had reimbursed Medicaid days in excess of total Medicaid days reported.

### **Recoverable Finding: \$ 7,632.41**

We determined that the Provider was reimbursed for 34 days of service in May and June after one recipient's date of discharge to a nursing facility; therefore, the Provider was not eligible for reimbursement and we calculated a recoverable finding for these days in the amount of \$7,632.41.

### Medicaid Paid Claims

1. We selected paid claims for five residents for December 2015 from MITS and compared the reimbursed days to the days documented per the resident's medical records.

We determined if the Provider's documentation met the general requirements of CMS Publication 15-1, Chapter 23, and Ohio Admin. Code § 5123:2-7-12, if the days billed met the specific requirements of Ohio Admin. Code §5123:2-7-08(C) to (I) as an occupied or bed hold day, and Ohio Admin. Code § 5123:2-7-15 for the payment adjustment requirements for resident's admission, discharge or death. We found no instances of non-compliance during paid claims testing.

### Revenue

1. We compared all revenues on the Provider's G/L Transactions report with those revenues reported on *Attachment 1, Revenue Trial Balance* to determine if all revenues were reported in accordance with the Appendix to Ohio Admin. Code § 5123:2-7-16 and CMS Publication 15-1. We found no differences.
2. We scanned the Provider's G/L Transactions report for any revenue offsets or applicable credits which were not reported on *Attachment 2, Adjustments to Trial Balance; Schedule B-1, Other Protected Costs; Schedule B-2, Direct Care Cost Center; and Schedule C, Indirect Cost Care Center* to offset corresponding expenses in accordance with CMS Publication 15-1, Chapters 1, 6, and 8. We did not identify any unreported revenue offsets/applicable credits.

### Non-Payroll Expenses

1. We compared all non-payroll expenses reported on *Schedule B-1, Schedule B-2, and Schedule C* to the Provider's G/L Transactions and Cost Report Adjustments reports. We found no variances.
2. ODM asked that we review the allocation methodology used in the Provider's Home Office Allocation schedule allocating costs on *Schedule B-1, Schedule B-2 and Schedule C* and determine if it was reasonable, allowable, related to residential care, and properly classified in accordance with Ohio Admin. Code § 5123:2-7 and CMS Publication 15-1, Section 2150.

We did not perform the procedure as the Provider did not report Home Office costs on *Schedule B-1, Schedule B-2 or Schedule B-3*.

3. We scanned the Provider's G/L Transactions report and selected 20 non-payroll expenses that were reported on *Schedule B-1, Schedule B-2, Schedule C, and Exhibit 3, Home Office Trial Balance* to determine if supporting documentation was maintained, the costs were properly allocated, classified, and allowable per Ohio Admin. Code § 5123:2-7 and CMS Publication 15-1. We found no variances exceeding \$500 on any schedule.

We also scanned for any unreported contract costs which would require reporting on *Schedule C-3, Costs of Services from Related Parties*. We reported variances in Appendix A.

4. We compared the 2015 non-payroll costs reported on *Schedule B-1, Schedule B-2 and Schedule C* by chart of account code to similar reported costs in 2014 and obtained the Provider's explanations for five non-payroll variances that increased by more than five percent and \$500:
  - Medical Supply costs increased on *Schedule B-1* due to an increase in the cost of items as well as the volume needed;

### **Non-Payroll Expenses (Continued)**

- Employee Fringe Benefits (Direct Care) costs increased on *Schedule B-2* due to the higher premiums for health insurance and the number of employees enrolled in the health insurance program due to changing regulations;
- Legal Service costs increased on *Schedule C* due to the increased need for legal services;
- Food In-Facility costs increased on *Schedule C* due to the increased cost of food; and
- Insurance costs increased on *Schedule C* due to premium rate increases.

### **Property**

1. We compared the Provider's procedures regarding capitalization of fixed assets used for preparing *Schedule D, Capital Cost Center; Schedule D-1, Analysis of Property, Plant and Equipment; and Schedule D-2, Capital Additions/Deletions* with Ohio Admin. Code § 5123:2-7 and CMS Publication 15-1.

We found an inconsistency as the Provider did not determine a salvage value when calculating depreciation as required by CMS Publication 15-1, 104.19, which states "Virtually all assets have a salvage value substantial enough to be included in calculating depreciation, and only in rare instance is salvage value so negligible that it may be ignored."

### **Recommendation:**

We recommend the Provider calculate a salvage value equal to 10 percent of historical cost when determining the initial net book value to be depreciated for each new capital asset purchase and the Provider begin depreciating assets after the month of acquisition.

2. We compared capital assets and corresponding depreciation listed on *Schedule D, Schedule D-1 and Schedule D-2* to the Provider's Depreciation Schedule and Trial Balance report. We found no variances.
3. We selected a total of three deletions reported on *Schedule D-1 and Schedule D-2* and determined if the cost basis, useful life and depreciation expense were reported in accordance with Ohio Admin. Code § 5123:2-7. We also determined if the assets were used in residential care or should be reclassified as the Costs of Ownership in accordance with Ohio Admin § 5123:2-7 and CMS Publication 15-1. We found no variances.
4. We did not perform the procedure to review the rent and lease agreements as there were no costs recorded in *Schedule D, Lease and Rent Accounts 8060 and 8065*.
5. We compared the renovation and financing costs in the Non-extensive Renovation Letter to *Schedule D-1*, if costs were recorded in *Schedule E, Balance Sheet (Account 1300, Renovations)*. We found no variances.
6. We reviewed the Depreciation Schedule to ensure transportation expenses were reasonable, allowable and related to patient care as defined in CMS Publication 15-1. We also reviewed the W-2s and transportation logs to determine if any corporate officers and owners exclusively used vehicles and compensation exceeding \$500 was reported on *Schedule D-1* and should be removed pursuant to CMS Publication 15-1, Chapter 9. We found no variances.

## Payroll

1. We compared all salary, fringe benefits and payroll tax entries and hours worked reported on the Provider's G/L Transaction report to the amounts reported on *Schedule B-1, Schedule B-2, Schedule C, Schedule C-1, and Schedule C-2*. We found no variances.
2. We selected five employees reported on *Schedule B-1, Schedule B-2, Schedule C and Exhibit 3* and compared the Provider's Employees Earnings Records and job descriptions to the schedule in which each employee's salary and fringe benefit expenses were reported. We determined if the payroll costs were properly classified, allocated and allowable in accordance with Ohio Admin. Code § 5123:2-7 and CMS Publication 15-1, Chapter 9 and Section 2150. We found no variances.
3. We compared the 2015 payroll costs reported on *Schedule B-1, Schedule B-2, Schedule C, Schedule C-1 and Schedule C-2* by chart of account code to similar costs reported in 2014 and obtained the Provider's explanation for five payroll variances that increased by more than five percent and \$500.

The Provider stated that the Activity Director costs on *Schedule B-2*; the Laundry & Linen, Plant Operations & Maintenance, and Other Non-Reimbursable (NFR) costs on *Schedule C*; and the Owners/Relatives Compensation costs on *Schedule C-2* all increased due to salary increases.

This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Medicaid ICF-IID Cost Report. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

This report is intended solely for the information and use of the Provider and the ODM, and is not intended to be, and should not be used by anyone other than the specified parties.



**Dave Yost**  
Auditor of State

November 29, 2017

**Appendix A**  
**Jac-Lin Manor, Inc.**  
**2015 Medicaid ICF-IID Cost Report Adjustments**

	Reported Amount	Correction	Corrected Amount	Explanation of Correction
<b>Schedule C-3 Cost of Services from Related Parties</b>				
8. - Contractor Name		Beacon Rehabilitation Center	Beacon Rehabilitation Center	To add Related Party costs > \$10,000
8. - Contractor Amount		\$ 345,000	\$ 345,000	To add Related Party costs > \$10,000
8. - Goods or Services Provided		Day Habilitation Services	Day Habilitation Services	To add Related Party costs > \$10,000

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JAC-LIN MANOR

ASHLAND COUNTY

## CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
DECEMBER 21, 2017